

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 1999

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PERMANENT SCHOOL FUND

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STATE OF NEVADA
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BALANCE SHEETS
December 31, 1999 and 1998

	<u>12/31/1999</u>	<u>12/31/1998</u>
		<u>Exhibit A</u>
Assets		
Cash held by Treasurer	\$ 25,585,284	\$ 13,497,232
Accrued interest		
Investments	367,146	578,406
Treasurer	<u>351,288</u>	<u>201,187</u>
Total accrued interest	<u>718,434</u>	<u>779,593</u>
Receivables		
Escheated estates	465,458	427,496
Fines and penalties	<u>352,908</u>	<u>395,852</u>
Total receivables	<u>818,366</u>	<u>823,348</u>
Investments		
Land contracts	120	120
U.S. Government securities	<u>49,937,460</u>	<u>52,957,442</u>
Total investments	<u>49,937,580</u>	<u>52,957,562</u>
Land held by State Land Office	<u>2,977</u>	<u>2,977</u>
Total Assets	<u><u>\$ 77,062,641</u></u>	<u><u>\$ 68,060,712</u></u>
Liabilities		
Due the Distributive School Account	\$ 1,331,611	\$ 478,405
Fund balances	<u>75,731,030</u>	<u>67,582,307</u>
Total Liabilities and Fund Balances	<u><u>\$ 77,062,641</u></u>	<u><u>\$ 68,060,712</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the Quarter and Six Months Ended December 31, 1999

	<u>Quarter Ended</u> <u>12/31/1999</u>	<u>Exhibit B</u> <u>Six Months</u> <u>Ended</u> <u>12/31/1999</u>
Operating Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 737,401	\$ 1,605,077
District Courts	189,596	363,711
Other Fines and Penalties	65,625	80,625
Total fines	<u>992,622</u>	<u>2,049,413</u>
Investment income	566,730	1,331,611
Land sales	3,311,993	3,468,993
Miscellaneous	(18,405)	330
Total operating revenues/income	<u>4,852,940</u>	<u>6,850,347</u>
Operating Transfers		
Transfer from (to) Escheated Estates Fund	(23,332)	6,062
Transfer to Distributive School Account	<u>(566,730)</u>	<u>(1,331,611)</u>
Net operating transfers	<u>(590,062)</u>	<u>(1,325,549)</u>
Net income	4,262,878	5,524,798
Fund balances, beginning of period	<u>71,468,152</u>	<u>70,206,232</u>
Fund balances, December 31	<u>\$ 75,731,030</u>	<u>\$ 75,731,030</u>

The notes to the financial statements and schedules are an integral part of this statement.

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STATEMENTS OF CASH FLOWS

For the Quarter and Six Months Ended December 31, 1999

Exhibit C

	Quarter Ended 12/31/1999	Six Months Ended 12/31/1999
Cash flows from operating activities:		
Justice Court fines	\$ 743,374	\$ 1,578,331
District Court fines	184,340	362,919
Other fines and penalties	65,625	80,625
Public land sales	3,311,993	3,468,993
Miscellaneous income	(18,405)	1,080
Net cash provided by operating activities	4,286,927	5,491,948
Cash flows from noncapital financing activities:		
Operating transfer in	-	32,932
Operating transfer out	-	(346,100)
Net cash used for noncapital financing activities	-	(313,168)
Cash flows from investing activities:		
Sales of investments	-	5,000,000
Treasurer's interest distribution	239,028	459,537
Investment interest	1,522,188	1,835,688
Net cash provided by (used for) investing activities	1,761,216	7,295,225
Net increase (decrease) in cash	6,048,143	12,474,005
Cash at beginning of period	19,537,141	13,111,279
Cash at end of period	\$ 25,585,284	\$ 25,585,284
Reconciliation of net operating income to cash provided by operating activities:		
Total operating income	\$ 4,852,940	\$ 6,850,347
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	717	(26,789)
Investment income reported as operating income	(566,730)	(1,331,610)
Net cash provided by operating activities	\$ 4,286,927	\$ 5,491,948

The notes to the financial statements and schedules are an integral part of this statement.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NOTES TO FINANCIAL STATEMENTS**

Basis of Accounting:

Transactions are recorded on the accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended December 31, 1999, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$23,679,933. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average weekly cash balances.

For the quarter ended December 31, 1999, funds held by the State Treasurer earned interest at an effective rate of 5.91 percent.

Investments:

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, which the Permanent School Fund implemented during the fiscal year ending June 30, 1998. In accordance with GASB Statement No. 31, all investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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GENERAL

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund was created as a nonexpendable trust fund. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund which apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$25 million. White Pine County School District and Douglas County School District entered into guarantee agreements for general obligation bond principal amounts totaling \$7,510,000 and \$8,710,000, respectively during the fiscal year ended June 30, 1998. During the third quarter of 1999, Nye County School District entered into a guarantee agreement for general obligation bond principal amounts totaling \$17,750,000. On August 9, 2000, Churchill County School District entered into a guarantee agreement for general bond principal amounts totaling \$3,655,000.

REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

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SCHEDULE OF INVESTMENTS
December 31, 1999

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities					
U.S. Treasury Note	5.500	4/15/00	\$ 2,000,000	\$ 1,998,750	\$ 1,999,380
U.S. Treasury Note	5.500	4/15/00	5,000,000	4,999,609	4,998,450
U.S. Treasury Note	7.500	11/15/01	5,000,000	5,001,750	5,108,600
Fed. Nat'l. Mortgage Assoc.	6.500	12/22/04	13,000,000	12,997,969	4,369,905
Fed. Nat'l. Mortgage Assoc.	6.850	9/12/05	4,500,000	4,324,230	12,581,530
Fed. Home Loan Bank Note	7.250	11/1/06	5,000,000	5,018,750	4,869,550
Fed. Home Loan Bank Note	6.875	11/22/06	6,500,000	6,500,000	6,269,445
Fed. Home Loan Bank Note	6.300	6/1/04	10,000,000	10,009,100	9,740,600
Total Fixed Income Securities			<u>\$51,000,000</u>	50,850,158	49,937,460
Fixed Income Contracts					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$50,850,278</u>	<u>\$49,937,580</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Six Months Ended December 31, 1999

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/1999	Six Months Ended 12/31/1999
Carson City	\$ 8,162	\$ 14,315
Churchill	11,925	25,499
Clark	368,640	798,283
Douglas	5,939	12,396
Elko	39,320	68,853
Esmeralda	4,960	14,037
Eureka	10,204	20,170
Humboldt	-	-
Lander	2,725	7,327
Lincoln	2,936	5,449
Lyon	26,701	57,558
Mineral	-	-
Nye	47,539	101,503
Pershing	1,185	3,394
Storey	-	-
Washoe	206,375	475,368
White Pine	790	925
Total	<u>\$ 737,401</u>	<u>\$ 1,605,077</u>

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Six Months Ended December 31, 1999

Schedule 3

County	Quarter Ended 12/31/1999	Six Months Ended 12/31/1999
Carson City	\$ 1,218	\$ 3,333
Churchill	3,571	8,504
Clark	102,491	202,704
Douglas	4,447	12,340
Elko	22,338	42,715
Esmeralda	-	50
Eureka	-	-
Humboldt	2,194	4,919
Lander	910	2,269
Lincoln	320	3,250
Lyon	3,265	4,896
Mineral	1,862	3,234
Nye	520	1,105
Pershing	2,576	4,004
Storey	-	25
Washoe	43,094	67,502
White Pine	790	2,861
Total	<u>\$ 189,596</u>	<u>\$ 363,711</u>

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SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended December 31, 1999

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
U.S. Treasury Note	5.500	2,000,000	\$ 27,500
U.S. Treasury Note	5.500	5,000,000	68,750
U.S. Treasury Note	7.500	5,000,000	93,750
Fed. Nat'l. Mortgage Assoc.	6.500	13,000,000	211,250
Fed. Nat'l. Mortgage Assoc.	6.850	4,500,000	77,062
Fed. Home Loan Bank Note	7.250	5,000,000	90,625
Fed. Home Loan Bank Note	6.875	6,500,000	111,719
Fed. Home Loan Bank Note	6.300	10,000,000	157,500

Total interest on investments 838,156

Second quarter Treasurer's distribution 351,289

Total interest 1,189,445

Change in fair value of investments:

Second quarter change in fair value of investments (622,715)

Total investment income earned for the quarter ended December 31, 1999 \$ 566,730